

Message Text

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ACTION EUR-12

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7189
INFO AMEMBASSY BELGRADE
ALL EC CAPITALS

C O N F I D E N T I A L BRUSSELS 11436

E.O. 11652: GDS
TAGS: ETRD, EGEN, EEC, FR, YO
SUBJ: EC-YUGOSLAV RELATIONS

REF: BELGRADE 4333 (NOTAL)

1. YUGOSLAV AMBASSADOR BORA JEVTIC LUNCHEd WITH ME
JUNE 8 JUST PRIOR TO RETURNING TO BELGRADE FOR ABOUT TEN
DAYS OF CONSULTATION. I SUGGESTED THAT HE TRY TO SEE
AMBASSADOR EAGLEBURGER WHILE HE IS HOME AND HE SAID HE
WOULD.

2. HE CHARACTERIZED RECENT DEVELOPMENTS HERE AS POSITIVE
BUT INSUFFICIENT TO RESOLVE THE PROBLEMS. HE LAID
PARTICULAR BLAME ON THE FRENCH FOR THE NIGGARDLY
COMMUNITY POSITION. EVEN WHILE ACKNOWLEDGING MY POINT
THAT THERE WAS A CONSIDERABLE OFFSET IN THE INVISIBLE
ACCOUNTS FROM TOURIST EARNINGS AND WORKER REMITTANCES,
HE SAID YUGOSLAVIA HAD TO COME CLOSER TO BILATERAL TRADE
BALANCE WITH THE COMMUNITY. HE SUGGESTED QUITE STRONGLY
THAT IF YUGOSLAVIA COULD NOT SELL MORE, YUGOSLAVIA WOULD
BE FORCED INTO RESTRICTIONIST IMPORT MEASURES. A NEW
POINT, AT LEAST NEW FOR ME, WAS A COMPLAINT THAT A FAIR
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NUMBER OF EUROPEAN COMPANIES INVESTING IN YUGOSLAVIA
INCLUDE IN THEIR CONTRACTS A PROHIBITION AGAINST EXPORT
OF PRODUCT BACK INTO THE COMMUNITY.

3. I INFER FROM THE GENERAL TENOR OF HIS REMARKS THAT HE
BELIEVES YUGOSLAVIA'S BEST STRATEGY TO BE PERSISTENT
PURSUIT OF YUGOSLAV OBJECTIVES WITHIN THE NEGOTIATING

FRAMEWORK THAT THE COMMISSION WILL BE PROPOSING TO THE COUNCIL.

4. FOLLOWING THIS CONVERSATION, I CALLED SIR ROY DENMAN, COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS, AND ASKED FOR HIS ASSESSMENT. DENMAN SAID COMMISSION HAD JUST THAT MORNING BRIEFED JEVIC ON GENERAL OUTLINES OF REVISED MANDATE CONSIDERED BY COMMISSION AND HOW COMMUNITY PROPOSES TO PROCEED. COMMISSION IS THINKING ABOUT INCREASED FINANCING - E.G., EIB CREDITS, FURTHER CONCESSIONS ON YUGOSLAV WORKERS IN EC AND "A BIT" ON TRADE, INCLUDING SOME AGRICULTURAL ITEMS. HOWEVER DENMAN SAID THAT EC REMAINS "UNCERTAIN" ABOUT EXACTLY WHAT YUGOSLAVS WANT AND, FOLLOWING LENGTHY SESSION WITH COREPER JUNE 8, COMMISSION HAS DECIDED TO SEND HAFERKAMP AND DENMAN TO BELGRADE IN EARLY JULY TO TRY TO GET MORE PRECISE IDEA FROM YUGOSLAVS ABOUT THEIR BOTTOM LINE. COMMISSION AND COREPER HAVE CONCLUDED SUCH "SONDAGES" ARE CALLED FOR AND THAT IT IS MORE IMPORTANT TO PROCEED CAREFULLY THAN FAST. BASED ON BELGRADE TALKS, COMMISSION WOULD THEN SUBMIT NEW PROPOSALS TO COREPER AND TO JULY 25 COUNCIL. CURRENT AGREEMENT WOULD BE TACITLY EXTENDED TO GIVE TIME NEEDED FOR COMPLETION OF NEGOTIATIONS.

5. DENMAN SAID THAT ONE SOURCE OF "UNCERTAINTY" IS THAT CONFIDENTIAL

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THERE SEEMS TO BE A BATTLE WITHIN GOY, WITH SOME ARGUING FOR A FULL FREE-TRADE OR QUASI-ASSOCIATION AGREEMENT AND OTHERS FOR SIMPLY AN IMPROVED STATUS QUO. UNTIL THIS IS RESOLVED, EC FEELS IT CANNOT RISK OBTAINING FIRM MANDATE THAT MIGHT THEN PROVE TO BE NON-NEGOTIABLE.

6. I'LL COMMENT SEPARATELY, AFTER A BIT MORE REFLECTION, ON AMBASSADOR EAGLEBURGER'S PROPOSAL, BUT IT IS CRYSTAL CLEAR THAT THE WINDOW FOR EFFECTING YUGOSLAV POLICY IS JUNE AND SOONER, NOT LATER. HINTON

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